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Central Intelligence Agency



Washington, D. C. 20505

DATE 9/25/86 FILEDOC NO EA M 86-20141OIR 3P & PD 1

## DIRECTORATE OF INTELLIGENCE

19 September 1986

CHINA: Sixth Plenum To Showcase Hu Qili [REDACTED]

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## Summary

The upcoming Sixth Plenum will be an important demonstration of the growing political strength of Politburo member Hu Qili, widely expected to succeed Hu Yaobang as Party General Secretary at next year's 13th Party Congress. The plenum, which should convene this month, may elevate Hu Qili to the Politburo Standing Committee, will probably approve other appointments, and may designate an heir to Premier Zhao Ziyang.

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Although frictions have been reported between Deng Xiaoping and his proteges over the scope and pace of political reforms, the disagreements appear to be differences in generational views and not fundamental policy splits. We expect the plenum to spotlight generally satisfactory economic progress this year and probably put the party's stamp of approval on a number of recently announced economic reforms. [REDACTED]

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This memorandum was prepared by [REDACTED] Office Of East Asian Analysis, and [REDACTED] Office of East Asian Analysis. Information available as of 19 September 1986 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Political Assessments Branch, China Division, OEA [REDACTED]

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### The Sixth Plenum - Another Step in Deng's Succession Plans

Scattered reporting suggests that Deng Xiaoping--looking ahead to next year's 13th Party Congress--will use the upcoming Sixth Plenum to solidify a consensus behind his desired succession arrangements. [redacted] these arrangements include replacing General Secretary Hu Yaobang with Politburo member Hu Qili, replacing President Li Xiannian with Premier Zhao Ziyang while appointing a younger man to the premiership, and installing Hu Yaobang in Deng Xiaoping's seat as head of the Party's Central Military Commission. In keeping with past practice, the plenum may approve these changes but probably will not make them public. We believe that the plenum may elevate Hu Qili to the Politburo Standing Committee to affirm his position as heir apparent to Hu Yaobang. [redacted]

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[redacted] three Vice Premiers are leading contenders to replace Zhao Ziyang:

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- Li Peng, a Soviet-educated engineer whose views on reform are less ardent than his rivals', has the backing of more conservative party elders.
- Tian Jiyun, Zhao's protege, a financial expert and reform activist, is favored by both Hs.
- Qiao Shi, who has little government experience, but long party service, has ties to both reform and conservative camps and may be a compromise choice if a deadlock between Li and Tian develops.

The plenum may indicate by a promotion or other signal which candidate has the edge.

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The major stumbling-block in Deng Xiaoping's succession arrangements has been military resistance to Hu Yaobang taking over as chairman of the Central Military Commission.<sup>1</sup> Last year's conference of delegates greatly reduced military representation on top party bodies, and the plenum may provide clues as to whether Deng can overcome this obstacle. [redacted]

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### Ideology on the Agenda

[redacted] the main item on the agenda is [redacted] to provide an ideological justification for Deng's pragmatic reforms. The reformers believe that without ideological legitimacy their program is vulnerable to

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<sup>1</sup> Deciphering Deng's problems in placing Hu Yaobang in the top military leadership position is a formidable analytic task. Observers generally agree that Hu Yaobang's lack of military experience is a factor slowing his appointment to the Central Military Commission, however little information is available to shed light on the extent of the military's resistance to Hu or on Deng's intentions. [redacted]

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attack by party traditionalists, especially after Deng is gone.

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### **"Political Structural Reform" and Other Contentious Issues**

The issue of "political structural reform," under discussion since last spring, probably will come up at the plenum, but reform leaders including Deng have stated publicly that another year of "investigation and study" will be needed before concrete measures are enacted. These reforms--designed to clearly distinguish government and party functions and reduce the ability of lower level officials to obstruct economic reforms--involve controversial issues such as the role of the party, the role of ideology, and the limits to free expression. Although a consensus has not been reached on these issues, we expect that the plenum will affirm that political structural reform must accompany economic reforms, and could call for new efforts to trim administrative staffs and reduce bureaucratic interference with reforms.

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### **Preplenum Atmospherics**

The informal preplenum leadership meetings held at Beidaihe since midsummer have not been marked by the bitter, heated debates that preceded last year's conference of delegates. We believe this atmosphere reflects the political strength of the reformist coalition and the lowered profile of party traditionalists since early this year.

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### **1986 Economy Scoresheet**

Unlike some past plenums which have produced major guiding documents addressing economic reforms or have approved economic plan outlines in general terms, we expect that the upcoming plenum will only deal in passing with economic issues. The plenum may call attention to economic successes in 1986, contrasting 1986 performance with the situation in late 1985 when reformers were severely criticized for high inflation, falling grain production, and overheated growth. The Chinese economy appears on track to achieve key targets; growth should slow to a more rational 7 or 8 percent, inflation should be below last year's record level, and grain production will probably be up despite local flooding and droughts. Economic problems have emerged in 1986, including excessive unauthorized capital construction; local officials have used loopholes to carry on new construction projects, pushing investments in fixed assets in the first half of 1986 17 percent above 1985 levels. Reform leaders have also expressed concern over the continuing foreign trade deficit, slowing rates of new foreign investments, and falling enterprise profits and tax remittances.

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If the plenum addresses economic reform progress in more detail, we expect reformers to cite these problems to justify calls for faster reform implementation. Reformers will probably point out, for example, that only increased enterprise

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responsibility for profits and losses will slow irrational investments and improve product quality and marketability. The plenum may also highlight recent comments by Deng Xiaoping and Zhao Ziyang on the need to improve China's investment climate. [REDACTED]

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A variety of evidence indicates that key urban reform measures will be inaugurated or formalized in October after the plenum. Chinese media have already announced a labor reform package which will be implemented next month, placing new state workers under employment contracts and establishing a state retirement and unemployment system. The US Embassy in Beijing has relayed reports that a set of measures to stimulate new foreign investment will be announced in October, including measures to reduce joint venture labor costs and increase joint venture authority to hire and fire workers. Hong Kong newspapers have claimed Beijing will stop issuing foreign exchange certificates (FEC) beginning next month, although recent signals on FEC withdrawal have been mixed. Plenum announcements may refer to these initiatives either directly or indirectly, linking their success to that of China's overall modernization.

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